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FROM:  J. Tyler McCauley
Auditor-Controller

SUBJECT: **DEPARTMENT OF PARKS AND RECREATION FISCAL REVIEW -
PHASE III**

We have completed Phase III of our Department of Parks and Recreation (DPR) Fiscal Review. In this phase, we evaluated the Department's internal controls and compliance with County policies and procedures in the following areas: special funds, special recreation "K" Accounts, trust funds, grants, and foundations. In conducting our review, we interviewed DPR management and staff and examined and tested applicable accounting records and documentation.

SUMMARY OF FINDINGS

Special Funds

Our review disclosed that DPR does not routinely transfer its special fund collections to the General Fund. The Department's practice is to transfer collections from the special funds to the General Fund only if they are needed to help the Department meet its budgetary obligation. If DPR does not need the funds to balance its General Fund budget, the Department's special funds accumulate the amounts collected as part of their fund balance and are carried forward to the next year. As part of its FY 1997-98 and FY 1998-99 closing, DPR transferred collections from its special funds to the General Fund totaling \$900,000 and \$1,050,000, respectively.

Additionally, DPR may not be operating its special funds in accordance with their intended purpose. For example, the Regional Parks Special Development Fund is supposed to be used to pay for special development and improvements to regional parks, the South Coast Botanical Garden, Virginia Robinson's Garden, and the Arboretum. However, we found that the Fund is used for routine purchases for these

facilities, such as boat repairs, fertilizer, office furniture, and office supplies. We also noted \$125,000 in payments for six vehicles that were paid from the Fund.

Documentation describing the purpose of each of the Department's non-Proposition A special funds is vague, or in some instances, does not exist. Therefore, DPR should work with the Chief Administrative Office and the Auditor-Controller to develop a policy memo to share with the Board that describes the nature and purpose of each fund, the sources of revenue, and types of allowable expenditures.

Special Recreation "K" Accounts

DPR needs to establish procedures to ensure collections are deposited into the correct funds. We identified \$26,500 in revenue that was deposited into the Special Recreation Fund "K" Accounts that should have been deposited into the General Fund.

Trust Funds

DPR needs to ensure that all transfers of funds from trust are supported by proper documentation. As indicated in our Phase I report, DPR transferred \$1.1 million from its Miscellaneous Trust Account to the General Fund at the end of fiscal year 1998-99 without supporting documentation. A similar transfer of \$450,000 was made at the end of fiscal year 1997-98. DPR explained that the transfers were made because the Department knew that revenue needed to be recorded, but field locations were slow in providing supporting documentation so that the Accounting Section could distribute the revenue to the proper funds and accounts. The entire \$1.55 million was recorded as General Fund revenue. We determined that, on average, approximately 27% of deposits into the Miscellaneous Trust Account represent revenue belonging to one of the Department's trust funds or special funds. Consequently, these funds were shorted an estimated \$405,000.

In addition, DPR needs to develop a spending plan for amounts that remain idle in trust. We identified five inactive trust funds with a balance of approximately \$220,000. The funds were established to account for grants for capital projects. Although the Department completed the projects as long as nine years ago, the unexpended funds have remained idle in trust ever since. The Department should develop a spending plan for the \$220,000 and work with the Board offices and grantor agencies to obtain their approval. Additionally, the Department should review all trust funds yearly.

Grants

DPR needs to ensure Community Development Block Grant expenditures are monitored more closely so that grant funds are fully utilized. We reviewed nine grants totaling \$577,000 to determine whether the Department maximized its use of grant funds. We noted that for three grants, DPR underutilized \$33,000 in grant funding. For each of these three grants, the Department should have either spent the available

funding on allowable expenditures or requested Board approval to shift funds to another grant.

DPR also needs to ensure grant claims are submitted within required timeframes. We reviewed 86 claims submitted to the Community Development Commission and found that 76 were submitted late. On average, the 76 claims were submitted 85 days after the date required. To improve monitoring and control over grant expenditures, DPR needs to ensure grant claims are submitted within required timeframes.

Foundations

We noted several omissions from DPR's Annual Reporting Form for Foundation Activities. DPR needs to improve the accuracy of its annual reporting of Foundation activities so their cost effectiveness can be better determined.

Review of Report

We discussed our findings and recommendations with DPR management. Their attached response indicates general agreement with our report and that the Department will immediately begin to implement our recommendations. The Department will provide a detailed written response within 60 to 90 days. We thank DPR management and staff for their cooperation during our review.

If you have any questions regarding this report, please contact me or have your staff contact Pat McMahon at (213) 974-0301 or DeWitt Roberts at (213) 893-0973.

JTM:PTM:DR

Attachments

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**DEPARTMENT OF PARKS AND RECREATION
FISCAL REVIEW – PHASE III**

COMMENTS AND RECOMMENDATIONS

BACKGROUND

The Department of Parks and Recreation's (DPR) mission is to provide approximately ten million Los Angeles County residents with diverse, quality recreational opportunities through the acquisition, development, maintenance, and programming at over 130 park sites, including eight major regional parks, 82 community regional and local parks, four arboreta and botanical gardens, 31 pools, 18 natural areas and wildlife sanctuaries, 19 golf courses and over 334 miles of hiking, biking, and equestrian trails.

The Department consists of approximately 1,200 full-time equivalent employees organized into five agencies: Support Services, North, South, East, and Capital Projects. The Department's fiscal year (FY) 2000-01 General Fund operating budget is \$83 million with a Net County Cost (NCC) of \$47 million. The Department's services are primarily funded through the General Fund, but other services are also financed through 38 benefit zones and 22 special funds. Of the 22 special funds, 12 relate to the Safe Neighborhood Parks Propositions of 1992 and 1996 (Proposition A).

SCOPE

This phase of our review included an evaluation of the Department's internal controls and compliance with County policies and procedures in the following areas: special funds, special recreation "K" Accounts, trust funds, grants, and foundations. In conducting our review, we interviewed DPR management and staff and examined and tested applicable accounting records and documentation.

SPECIAL FUNDS

Special funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. DPR maintains 10 non-Proposition A special funds with a balance of approximately \$10 million. These funds receive revenue primarily from developer fees, parking fees, admission fees and golf course and concession revenue.

Our discussion below focuses on how DPR administers its non-Proposition A special funds.

General Fund Transfers

DPR uses its Department operating budget to pay certain expenditures that are eligible for special fund funding. Generally, these expenditures exceed the amounts collected by the special funds. Therefore, to help offset these expenses, DPR should ensure that

all available revenue collected by the special funds is transferred to the General Fund each year.

Our review disclosed that DPR does not routinely transfer its special fund collections to the General Fund. The Department's practice is to transfer collections from the special funds to the General Fund only if they are needed to help the Department meet its budgetary obligation. If DPR does not need the funds to balance its General Fund budget, the Department's special funds accumulate the amounts collected as part of their fund balance and are carried forward to the next year. As part of its FY 1997-98 and FY 1998-99 closing, DPR transferred collections from its special funds to the General Fund totaling \$900,000 and \$1,050,000, respectively. Below are two examples:

- **Regional Parks Special Development Fund**

The Regional Parks Special Development Fund was established in 1975 to pay for special development and improvements at regional parks, the South Coast Botanical Gardens, Virginia Robinson's Garden, and the Arboretum. The primary sources of revenue are vehicle entry fees, boat launch fees, and admission fees. According to DPR's records, during FY 1997-98 and FY 1998-99, the General Fund paid RPSDF expenses totaling \$15.5 million and \$15.7 million, respectively. During this period, RPSDF's collections averaged only \$695,000 a year.

In closing its accounting records for FY 1997-98 and FY 1998-99, DPR transferred a total of \$1.3 million from the RPSDF to the General Fund. These funds had accumulated over several years. As a result, DPR unnecessarily utilized General Fund financing in the prior years.

- **Natural Areas Special Fund**

The Natural Areas Special Fund (NASF) was established to help offset operating costs for maintaining and supervising the Nature Center Program. From FY 1995-96 through FY 1998-99, the NASF collected \$350,000 in parking fee revenue and the Nature Center Program incurred over \$4 million in operating expenses, which were paid for by the Department's General Fund operating budget. It was not until the end of FY 1998-99 that DPR transferred \$300,000 of the \$350,000 balance from the NASF to the General Fund to help offset expenses.

Summary

Accumulating funds in its special funds and reimbursing the General Fund for eligible expenses only if the funds are needed to help balance the budget is not appropriate. Because General Fund resources are limited and the special funds were specifically created to finance these operations, all available special fund proceeds should be utilized routinely each year to finance eligible expenses. In addition, the practice of sporadically transferring funds can distort the true budget status and make it more

difficult to predict future budgetary requirements. Accordingly, DPR should ensure all available special revenue fund resources are monitored and transferred at least annually to the General Fund to reimburse it for eligible expenses.

Recommendation

- 1. DPR ensure all available special revenue fund resources are monitored and transferred at least annually to the General Fund to reimburse it for eligible expenses.**

Special Fund Expenditures

We reviewed Board minutes/letters, budget submission documents, and DPR internal memos to determine the purpose and legal restrictions of each of the non-Proposition A special funds. We found that available documentation does not exist or is vague as to the specific expenditures that can be legally paid for by each fund. As a result, in some instances it was difficult to determine whether certain expenditures should be paid for using special funds. For example, documentation for the RPSDF states that its purpose is to pay for special development and improvements to regional parks, the South Coast Botanical Garden, Virginia Robinson Gardens, and the Arboretum. However, the documentation does not define special development and improvements.

Additionally, we noted that DPR might not be operating its special funds in accordance with their intended purpose. For example, as previously indicated, the purpose of the RPSDF is to pay for special development and improvements. However, we noted several expenditures paid from the RPSDF between October 1, 1998 and September 30, 1999 that were not for facility development or improvements. Specifically, we sampled 15 RPSDF payments, totaling \$20,992, and found that 11 payments, totaling \$9,011, were for services and supplies and miscellaneous expenditures. The payments included boat repairs, fertilizer, office chairs, and office supplies (e.g., pens, markers, and printer toner). We also noted \$125,217 in payments for six vehicles that were paid from the Fund. DPR indicated that these were eligible expenses for these facilities.

DPR needs to ensure that all special fund expenditures comply with the purpose of the fund. Because documentation describing the purpose of the special funds is vague, or in some instances, does not exist, DPR should work with the Chief Administrative Office and the Auditor-Controller to develop a policy memo to share with the Board, which describes the nature and purpose of each special fund, the sources of revenue, and types of allowable expenditures.

Recommendation

- 2. DPR work with the Chief Administrative Office and the Auditor-Controller to develop a policy memo to share with the Board, which describes the nature and purpose of each special fund, the sources of revenue, and types of allowable expenditures.**

Budgeting

We reviewed the Department's actual financial results as compared to the County budget for two special funds, the Golf Course Special Fund and the Regional Parks Special Development Fund (RPSDF). The comparisons were made for fiscal years 1996-97 through 1999-00 for the Golf Course Special Fund and for fiscal years 1996-97 through 1998-99 for the RPSDF. We did not analyze the RPSDF financial results for FY 1999-00 because a spending freeze was placed on this Fund during the year.

DPR budgeted \$3 million in services and supplies each of the four years for the Golf Course Special Fund. However, actual expenditures ranged from \$1.9 million to \$2.4 million. On average, the Department expended \$2.1 million each year, or 30% less than the budget. During these four years, the revenue budget ranged from \$2.3 million to \$2.7 million. For three of these four years, actual revenue was at least \$500,000 less than the amount budgeted.

For the Regional Parks Special Development Fund, actual revenue was within 6% of the amount budgeted for two of the three years reviewed. However, for FY 1996-97, actual revenue was \$727,000, or \$392,000 more than the budgeted amount of \$335,000. Additionally, the Department has consistently underspent its expenditure budget by material amounts, which resulted in large fund balances accumulating in the Fund. These large balances made it possible for the Department to make the \$1.3 million in questionable transfers discussed earlier. For the three years reviewed, the Department budgeted average expenditures of \$1.5 million each year. Actual expenditures averaged \$671,000 (actual expenditures recorded on the County-wide Accounting and Purchasing System averaged \$1.1 million, including the delayed \$1.3 million transfer previously discussed).

Budgets provide the most benefit when they represent the best estimate of actual expected results. The above examples of ongoing variances indicate a need for DPR to re-evaluate the budgets for these special funds to ensure they represent the best estimate of actual results, based upon past experience and operating trends.

Recommendation

- 3. DPR re-evaluate the budgets for the Golf Course Special Fund and the Regional Parks Special Development Fund to ensure they represent the best estimate of actual results, based upon past experience and operating trends.**

All County funds should be included in the County budget to ensure disclosure to the Board of Supervisors and the public that the funds exist and are available.

We identified two DPR special funds that have not been included in the County budget, the Natural Areas Special Fund and the County Trails Special Fund. DPR established the Natural Areas Special Fund in 1992 and it collects approximately \$80,000 in

revenue each year. This Fund was not included in the County budget until FY 1999-00. DPR also established the County Trails Special Fund in 1992. This Fund has never been included in the County budget. With the exception of interest postings, this Fund has been inactive for over two years and has a current balance of \$12,000.

DPR should ensure all special funds are included in the County budget. In addition, since the County Trails Special Fund has been inactive for over two years, DPR should develop a plan to utilize these funds.

Recommendations

DPR:

- 4. Ensure all special funds are included in the County budget.**
- 5. Develop a plan to utilize the County Trails Special Fund balance.**

“K” ACCOUNTS

The Department established a Special Recreation Fund in 1988 to finance recreation programs. The Fund obtains its revenue from fees charged for Department sponsored events. For each recreation program, the Department maintains a subsidiary account, referred to as a “K” Account, to track program revenues and expenditures. “K” Accounts are to be event specific, self-sufficient and operate independent from DPR’s general operating budget. As of April 2000, the Department had 150 “K” Accounts with a balance of approximately \$580,000.

We reviewed transactions posted to five “K” Accounts during FY 1998-99 and FY 1999-00 to determine the appropriateness of revenue deposited into the accounts and expenditures paid from the accounts. The five accounts were: Northeast Region Recreation Programs, Pepsi Hotshot Program, Family Music Festival, Bonelli Park Special Activities, and Santa Fe Dam Recreation Programs. The five accounts had an April 2000 balance of \$92,000 (16% of the total of all “K” Accounts).

We noted instances where DPR is not following its own internal policies and County guidelines. In addition, we identified areas where the Department can improve its internal controls.

Revenue Deposits

Board approved fees and charges that are applicable to the Department's General Fund operating budget should not be deposited into the Special Recreation Fund. We reviewed supporting documentation for deposits into the Special Recreation Fund “K” Accounts and noted the following instances where collections of Board approved fees were deposited into the Special Recreation Fund when they should have been deposited into the General Fund:

- Vendor rental fee revenue totaling \$10,000 was deposited into two “K” Accounts; \$7,000 from the Family Music Festival was deposited to the corresponding “K” Account and \$3,000 from the Almond Blossom Festival was deposited to the Northeast Region Recreation Program “K” Account. The Superintendent responsible for these “K” Accounts stated that it is the Department’s practice to use all fees generated from special events to offset the cost of producing the event. However, this practice conflicts with the Department’s written policies.
- Approximately \$14,000 in Bonelli Park concession revenue was deposited into the Family Music Festival “K” Account. The Department’s written policy requires concession revenue to be deposited to the General Fund.
- Approximately \$2,500 in day camp revenue was incorrectly deposited into the Northeast Region Recreation Program “K” Account. The Department’s policy requires that day camp revenue associated with the cost of staff to run the program be deposited to the General Fund. For expediency, the North Agency developed a practice of depositing 50% to the General Fund and 50% to “K” Accounts. However, we noted \$5,000 in day camp collections where 100% of the day camp revenue was deposited into the Recreation Program “K” Account.

DPR should ensure collections are deposited into the correct funds in accordance with Board approved guidelines.

Recommendation

- 6. DPR ensure collections are deposited into the correct funds in accordance with Board approved guidelines.**

Account Transfers

DPR’s procedures require a Regional Director or his/her designee to approve the transfer of funds between “K” Accounts. We noted 12 transfers from the five “K” Accounts made between July 1, 1998 and March 31, 2000. All 12 were properly approved. However, seven (58%) transactions, totaling \$52,900, did not have an explanation. As a result, we were unable to determine the appropriateness of the transfer.

To help ensure that collected funds are used for their intended purpose, DPR should require that all transfers between “K” Accounts contain an explanation. In addition, to improve accountability over its “K” Account activities, DPR should increase the approval level for transfers to an Assistant Director or higher.

Recommendation

- 7. DPR require that transfers between “K” Accounts be approved by an Assistant Director or higher, and contain an explanation for the transfer.**

TRUST

DPR maintains 38 trust funds with a June 2000 balance totaling \$11.9 million. In addition, DPR maintains two trust accounts within the County’s Departmental Trust Fund (TK7), the Concession Trust Account and the Miscellaneous Trust Account. The Concession Trust Account was established to deposit monthly payments made by contract proprietors of County golf courses, tennis courts and pro shop facilities. The Miscellaneous Trust Account serves as a sweep account, primarily for the deposit of daily collections such as vehicle entry, admission, and boat launch fees.

County Fiscal Manual, Section 8.1.6, states that funds held in trust should be transferred to revenue accounts as the nature of the funds is identified. Postponing the transfer to future budget periods is not appropriate.

Revenue Transfers

As indicated in our Phase I report, DPR transferred \$1.1 million from the Miscellaneous Trust Account to the General Fund at the end of FY 1998-99 without supporting documentation. The transfers were processed during the year-end closing pursuant to several management directives that instructed the Accounting Section to make these transfers. We noted that similar transfers totaling \$450,000 were made during the FY 1997-98 closing process.

DPR stated that its field locations have historically been slow in providing documentation to the Accounting Section that shows how each deposit should be distributed (e.g., 50% to the General Fund and 50% to a special fund). The Department knows that at the end of each fiscal year, the Miscellaneous Trust Account includes revenue that belongs to the General Fund. Therefore, at the end of fiscal years 1997-98 and 1998-99, DPR transferred amounts to the General Fund without waiting for its field locations to provide documentation for the revenue distribution.

DPR acknowledged that in prior fiscal years, it did not make transfers from the Miscellaneous Trust Fund to the General Fund without supporting documentation. As noted in our Phase I report, these transfers resulted in the Miscellaneous Trust Account being overdrawn at the end of FY 1998-99 by approximately \$240,000 and General Fund revenue correspondingly overstated.

We also noted that the Department’s trust funds and special funds were shorted by approximately \$405,000 because the entire \$1.5 million in transfers from the Miscellaneous Trust Account were made to the General Fund. However, on average,

only 73% of revenue deposited into the Miscellaneous Trust Account represents General Fund revenue. The remaining 27% represents revenue that belongs to the Department's trust funds and special revenue funds. Consequently, 27% of the \$1.5 million (\$405,000) should have been transferred to these other funds.

DPR should ensure that field locations submit revenue distribution information to the Accounting Section in a timely manner and that all transfers of funds from trust accounts are adequately supported by proper documentation. This will ensure that revenue is recognized for correct amounts and for the proper year and that the Department's other funds are credited with proper amounts.

Recommendation

- 8. DPR ensure that field locations submit revenue distribution information to the Accounting Section in a timely manner and that all transfers of funds from trust accounts are supported by proper documentation.**

Inactive Trust Funds

We identified five inactive trust funds containing approximately \$220,000. According to the Department, the \$220,000 represents residual monies that were received from various grantors to be used for capital projects. Although the Department completed the projects and had closed them out as long as nine years ago, the funds have remained idle in trust ever since.

In January 1998, the Auditor-Controller (A-C) inquired into the lack of activity in the trust funds. In its response, management acknowledged that the Department had completed and closed the capital projects associated with the inactive trust funds, but indicated that the accounts must remain open for a period of three years after the project closure, pending a final audit. However, we noted that the audit period for each project had expired several years before the A-C's inquiry. For example, the Department closed out the Apollo Park project on June 5, 1991. Therefore, the audit period expired as of June 5, 1994, over three years before the A-C's inquiry.

The Department should develop a spending plan to use the \$220,000 and work with the Board offices and the applicable grantors to obtain their approval. In addition, the Department should review all trust funds yearly and close inactive funds if appropriate.

Recommendations

DPR:

- 9. Develop a spending plan for the remaining \$220,000 and work with the Board offices and the grantor agencies to obtain their approval.**
- 10. Review all trust funds yearly and close inactive funds if appropriate.**

**AUDITOR-CONTROLLER
COUNTY OF LOS ANGELES**

Reconciliations

County Fiscal Manual, Section 2.1.5, requires all trust fund activity to be supported in detailed departmental records and reconciled to the County-wide Accounting and Purchasing System (CAPS) at least quarterly. Trust funds with high balances or more than five transactions per month must be reconciled monthly.

We reviewed DPR's records for seven trust funds. Two met the monthly reconciliation criteria, while the remaining five met the quarterly reconciliation criteria. We found that the Department has not reconciled any of the seven funds in over 16 months. Furthermore, in instances in which the trust funds were reconciled, they were not completed timely (within one month of the end of the period).

Specifically, we reviewed 25 quarterly reconciliations and 32 monthly reconciliations, and noted the following:

- 13 (52%) of the 25 quarterly reconciliations did not indicate a completion date. As a result, we could not determine if the reconciliations were timely. The remaining 12 were completed from 11 to 116 days late.
- 30 (94%) of the 32 monthly reconciliations did not indicate a completion date. The remaining two were completed 11 and 191 days late.

In addition, we identified 40 outstanding/unreconciled transactions totaling approximately \$2.3 million among the seven trust funds reviewed. These transactions mainly represent amounts that are shown on CAPS that are not reflected in the Department's internal records. According to DPR, this discrepancy is due to a data-entering backlog. Since reconciliations were not completed, we were unable to determine if these transactions have been resolved.

DPR indicated that the trust funds have not been reconciled due to staffing constraints. However, continued neglect of its trust funds may result in undetected shortages or overages that are left unresolved. Therefore, DPR should ensure that its trust funds are reconciled timely and that outstanding/unreconciled transactions are resolved promptly.

Recommendation

- 11. DPR ensure that departmental trust funds are reconciled timely and that outstanding/unreconciled transactions are resolved promptly.**

GRANTS

The United States Department of Housing and Urban Development provides Los Angeles County with Community Development Block Grant (CDBG) funding. The Community Development Commission (CDC) administers the County's CDBG funding by facilitating the approval of construction projects/recreation programs submitted by

various County departments. CDC awarded DPR seven grants totaling \$400,000 for FY 1998-99 and 18 grants totaling \$1.7 million for FY 1999-00.

Another major source of DPR's grant funds is provided through the Department of Children and Family Services (DCFS). DCFS provides DPR funding to administer the Federal Family Support Grant at five County parks. Under the terms of the Memorandum of Understanding, the maximum reimbursement amount for federal fiscal year 2000 was \$285,000.

Utilization of Grant Funds

For each CDBG grant, DPR determines, subject to CDC's approval, how the funds will be spent. Allowable cost categories include personnel, non-personnel (services and supplies), capital outlay expenditures, and administration. Since the allocations are based on estimates, CDC allows recipients to shift funding amongst cost categories. CDC stated that most of these requests, within reason, are approved. In addition, funding can be shifted from one CDBG grant to another with the Board's approval.

DPR needs to more closely monitor its grant expenditures. We reviewed nine CDBG grants totaling \$577,000 to determine whether the Department maximized its use of grant funds. We noted that for three grants, DPR underutilized \$33,000 in grant funding. For example, in one instance, DPR spent only \$51,000 of its \$65,500 grant to purchase recreational and educational equipment and supplies for after-school, summer day camp, and senior citizen programs at eight parks. For each grant, the Department should have either spent the available funding on allowable expenditures or requested Board approval to shift funds to another grant. For example, one grant was \$9,000 overbudget and DPR should have requested approval to shift unused funds to this grant.

We also noted on three grants that DPR overspent its budget in one cost category, while underspending in another cost category. DPR did not request a reallocation of funds from CDC, resulting in \$7,500 in unrecovered costs (i.e., net County cost).

DPR needs to ensure grant expenditures are monitored more closely so that grant funds are fully utilized. If the Department cannot spend all its grant funding, or it will exceed its budget in a particular cost category, it should seek Board/CDC approval to reallocate funds.

Recommendations

DPR:

- 12. Ensure grant expenditures are monitored more closely so that grant funds are fully utilized.**

- 13. Seek Board/CDC approval to reallocate funds amongst cost categories or from one grant to another when necessary.**

Timeliness of Claims

CDC required that FY 1998-99 claims be submitted monthly, within 30 days following the end of the previous month. Beginning in FY 1999-00, CDC changed the requirement to allow claims to be submitted within 60 days. We tested nine grants to determine whether DPR submitted its FY 1998-99 and FY 1999-00 claims timely. Of 86 claims reviewed, 76 (88%) were submitted late. On average, the 76 claims were submitted 85 days after the date required.

We also reviewed the timeliness of billings submitted to DCFS. County Fiscal Manual, Section 4.3.5, requires that servicing departments submit billings within 60 days following the end of the month in which services were provided. Of 24 billings reviewed, 13 (54%) were submitted late. On average, they were submitted 64 days late.

To improve monitoring and control over grant expenditures, DPR needs to ensure grants claims and County billings are submitted within required timeframes. Timely billing will better ensure the availability of funding and facilitate monitoring of the grant program.

Recommendation

- 14. DPR ensure grant claims and County billings are submitted within required timeframes.**

Administrative Costs

CDC's Funding Request Guidelines require that DPR's administrative costs for CDBG projects be based on the Auditor-Controller's (A-C's) approved indirect cost rates. We reviewed nine CDBG projects and found that, for two projects, DPR did not claim administrative costs using the A-C's approved indirect cost rates. Instead, DPR claimed the maximum administrative costs allowed (20% of the grant amount), which resulted in an overstatement of approximately \$4,000 in administrative costs for the two grants. To minimize the potential for audit disallowances, DPR needs to ensure administrative costs claimed are based on the A-C's indirect cost rates.

Recommendation

- 15. DPR ensure administrative costs claimed on CDBG grants are based on the Auditor-Controller's indirect cost rates.**

FOUNDATIONS

Section 26227 of the Government Code permits County departments to establish relationships with non-profit organizations (foundations) that provide services that meet the needs of the public and promote the department's mission. The County Fiscal Manual requires that, whenever possible, departments formalize their relationships with foundations via written agreements setting forth the responsibilities of both parties. Departments must also maintain a degree of independence from foundations and account for and report the tangible and intangible benefits provided by the foundations to the department and vice versa. This information is reported on an Annual Reporting Form for Foundation Activities. County departments should monitor the activities of their associated foundations and continue the relationships with non-profit organizations only if they prove to be a benefit to the public and cost effective. For FY 1998-99, DPR reported \$700,000 in tangible benefits for its 14 foundations.

Accounting and Reporting

We reviewed the FY 1998-99 Annual Reporting Form for Foundation Activities for five foundations (California Arboretum Foundation, Bonelli Park Foundation Support Foundation, Friends of Greater Los Angeles Parks, Descanso Gardens Guild, and the Aquatic Foundation of Metropolitan Los Angeles) to determine if DPR properly reported foundation activities. We noted several areas in which DPR could improve its reporting practices to help ensure the accuracy of the annual reporting forms. Specifically, we noted the following:

- DPR contracts with the Descanso Gardens Guild Foundation for the daily operation of Descanso Gardens. Under the terms of the contract, for FY 1998-99, DPR paid the Foundation a management fee of \$304,000. DPR reported this amount as support provided to the Foundation. However, the Department did not report \$265,400 paid by the Foundation to DPR to reimburse the Department for salaries paid to seven County staff. The \$265,400 should have been reported as support provided by the Foundation.
- DPR did not report \$15,000 in grant funds transferred to the California Arboretum Foundation. This amount should have been reported in the “revenues transferred” section of the annual reporting form.
- DPR did not report a supplemental salary of \$45,000 paid by the California Arboretum Foundation to the County employee who serves as the Foundation's Executive Officer. The amount should have been reported as support provided by the Foundation.

The cost effectiveness of foundations can only be properly determined when foundation cost/benefit data is accurately compiled and reported. DPR should ensure the accuracy of data reported on the Annual Reporting Form for Foundation Activities.

Recommendation

- 16. DPR ensure the accuracy of data reported on the Annual Reporting Form for Foundation Activities.**

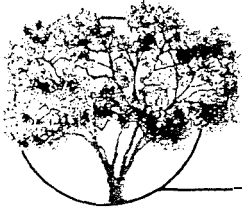
Cost Effectiveness

We reviewed the Annual Reporting Form for Foundation Activities and interviewed DPR staff to assess the cost effectiveness of five foundations. One of the five, the Friends of Greater Los Angeles Parks Foundation, does not appear to be cost effective. Specifically, the Department contributed \$10,330 in support to the Foundation in FY 1998-99, but received only \$3,000 in tangible benefits and the Department did not report any intangible benefits received from the Foundation. Similarly, during FY 1997-98, Departmental support provided to the Foundation exceeded the benefits (tangible and intangible) by \$8,300. Discussions with DPR revealed that the Foundation had been inactive for several years before the Department attempted to revive the organization in 1998. Since then, the Foundation has performed poorly.

DPR indicated that it has verbally informed the Foundation of the need to improve its performance or face the possibility of disbanding the organization. However, in the absence of written notice, the Department's admonition may lack the strength necessary to produce tangible results. Accordingly, DPR should issue a formal written memo to the Foundation's board of directors, describing the specific performance objectives (e.g., increased membership and fundraising) that the Foundation must achieve within a specified time period, in order to continue its relationship with the Department.

Recommendation

- 17. DPR issue written notice to the Friends of Greater Los Angeles Parks Foundation, describing the particular objectives the Foundation must achieve within a specified time frame in order to continue its relationship with the Department.**



COUNTY OF LOS ANGELES
DEPARTMENT OF PARKS AND RECREATION



Rodney E. Cooper, Director

March 1, 2001

TO: J. Tyler McCauley
Auditor-Controller

FROM: Rodney E. Cooper
Director

SUBJECT: **FISCAL REVIEW-PHASE III**

This is in response to your recommendations identified in Phase III of the fiscal audit of the Department of Parks and Recreation.

We generally agree with the recommendations made in Phase III, which evaluated the department's internal controls and compliance with County policies and procedures in the following areas: special funds, special recreation "K" Accounts, trust funds, grants, and foundations.

The department intends to immediately implement the Auditor-Controller's recommendations and will formally respond in detail consistent with the Auditor-Controller follow-up procedures within 60 to 90 days.

If you have any questions or require additional information, please contact me at (213) 738-2951.

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